(194) Department.

SERIES

G.O. NO. 1560

Dated 24-3-49

[Despatch Abstract.]

Industries — Sericulture - G. St; Release of silk Stipulation of 6¼ percent profit — Waiver of — Proposal to revise Rebate

INDUSTRIES AND COMMERCE DEPARTMENT.

From

Sri P. Govinda Menon, B.E.,
Joint Director of Industries and Commerce
Chepauk, Madras.

To

The Secretary to Government,
Development Department, Madras.

Letter No. 6101 D/47 dated 1-12-1948.

Sub: Industries - Sericulture - Government Silk Filature, Kollegal sale of silk - Stipulation of percentage of profit

Ref: i) G.O.No.Ms.3890 Dev. dated 22-8-48.
ii) This Office letter No.6101/47 dated 2-8-48.

.....

Sir,

It was reported to Government in this Office letter No.1JS/48 dated 30-7-48 ~~referred to above~~, that the Government Silk Filature has sustained a loss of Rs. 75,000/- for the year 1947-48. The accounts of the filature have been audited by the Chief Auditor State Trading Scheme, Madras recently and according to the audited proforma accounts the actual loss is Rs. 59,969-0-11. The circumstances under which the Government Silk Filature sustained a loss have already been explained to Government in this office letters No.6995.D3/45 dated 23-5-47 and No.6995 D3/45 dated 26-5-48. The position still continues to be extremely bad due to competition from cheap foreign silks which continue to come in inspite of the representations made by the Madras Government to stop imports of foreign silk or to levy high enough protective duty on the imports. The Government of India do not seem to have appreciated the gravity of the situation and the result is that the Government Silk Filature may still stand to lose heavily in the disposal of the accumilated stocks. The loss sustained in 47-48 was entirely beyond our control. In this connection it may be mentioned that the Mysore Silk Filatures Ltd. T. Narasipur, Mysore state, which is a limited concern is understood to have sustained a loss of about Rs. 3 lakhs due to the same reasons.

2 In the above circumstances I request that Government may be pleased to waive the stipulation of 6¼ % profit fixed in the various Government orders relating to the fixation of prices for the filature silk in order to avoid audit objections later.

Printed. 6201 10/12/48

T. M. I

To The Dire.

Sub: Industries - Sericulture - G&F Kollegal - Sale of silk - Percentage of profit

Ref Your Letter No 6101D/47 dt 1-12-48

Please send a Copy of your letter No 6995-D3/45 dt 26.5.48 as it is not readily traceable in this Office. A copy of the order on the letter, if available may also be sent if available.

CA
20.12.48.

Time for reply is very short as the matter has to come from Head Quarters. Hence requested to go through the letter personally & oblige.

R. 24.12.48

16/12/48

16.12.48

Industries & Commerce Department.

From

The Joint Director of Industries & Commerce,
Chepauk, Madras

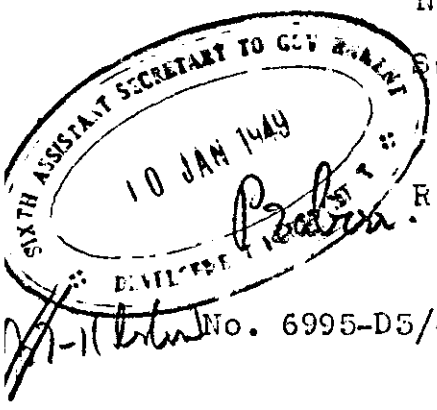
TO

The Secretary to Govt.,
Development Dept., Madras.

4124. D7

Sir

No. 6674-D1/48, dated 4-1-49.



Sub: Industries - Sericulture - Govt. Silk Filature, Kollegal - Sale of Silk percentage of profit.

Ref: Govt. post copy of Telephonic message d/ 20-12-48.

130788

I enclose a copy of this Office letter No. 6995-D5/45 dated 26th May, 1948 as desired by Govt.

Encl. 1.

8.1.49

for Joint Director of Industries & Commerce.

MS/7/1/-

Copy of letter No. 6995-D3/45, dated 26-5-48 of the Director of Industries & Commerce, Madras

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Sub: Industries - Sericulture - Govt. Silk Filature, Kollegal - sale of silk during the year 1947-48.

Ref: 1. Para 2 of G.O. No. 4121, Development d/21-8-47
2. Govt. memo No. 12594-D1/47-48, Development, d/ 17-12447.

In para 2 of the G.O. first cited Govt. called for proposals for reducing the staff employed in the filature to bring down the working cost to the absolute minimum and also for a special report regarding the working of the filature with special reference to the question whether a profit of 6¼% could be earned. A report on the reduction of the staff in the filature was submitted to Govt. in this Office letter No.2914-D/47 dated 5-1-48. I append herewith for the information of Govt. a statement showing the staff originally sanctioned for the amalgamated Govt. Silk Filature, retrenchments effected from time to time and the existing staff which is the minimum that is required to run the filature economically and efficiently.

As regards the profit element, I have already explained the position in my letters No. 6995-D/45 dated 23-1-47 1st April 47, 17th May 47 and 20th Nov. 47 and in letters No. 2848-D/46 d/ 8th March 47, and finally in letter 2848-D/46 d/ 6th Janry. 48. I have explained therein the perilous condition in which the filature industry has been placed consequent on the importation of large quantities of foreign silk into India and their sale at very low prices. I had also pointed out in my letter No.6995-D/45 dated 23-5-47 that the Govt. Silk Filature will not be working at a profit during the year 1947-48 unless the Govt. of India took quick action to regulate imports. The position in the other silk producing Provinces like Bengal is also bad and I had a telegram from the Director of Industries, Bengal sometime back about the perilou condition of the industry there. The Govt. of India have only recently communicated their decision to stop issuing any more licenses for the import of raw silk till such time the present stocks are liquidated. Though the silk market has shown some improvement since then the position as far as the year 1947-48 is concerned was bad since the filature silk had to be sold during that year at prices below their cost of production. The exact financial position of the working of the filature during 1947-48 could be known only when the pro-forma accounts are made ready. It may however be pointed out that the filatures have in the past made considerable profits to the tune of nearly seven lakhs of rupees as will be seen from the statement enclosed. This was possible in view of the impetus given to the industry during the war period and the protection it had enjoyed. Depression however has now set in and we have to compete in the open market, but even if given a certain measure of protection, we can hope to make reasonable profits. In a commercial concern of this nature, there are bound to be periods of depression resulting in some loss and it is rarely possible to run such concern profitably year after year-particularly in the silk indusry - where periods of visititude are natural and cannot be avoided. It will not therefore be practicable to maintain the profit at a margin of 6¼% annually and it is highly desirable that such a condition in working of the filature is not insisted upon. However every effort would be made to maintain the profits at as high a figure as possible.

Statement showing the profits earned by the Govt. Silk Filature & Kollegal Silk Filature, Kollegal from 1943--1947.

Name of the concern.	Year	Profit.
Kollegal Silk Filature, Kollegal	1943-44	Loss.
"	1944-45	2,05,657--0--9
"	1945-46	1,45,651-13--9
"	1946-47 (1-4-46 - 14-8-46)	1,58,767--2--6
Govt. Silk Filature, Kollegal.	1945-46 .. (1-9-45 - 31-3-46)	1,09,587-10--2
	1946-47	62,967--2--6
		6,82,630-13--8

Statement showing the Kollegal and retrenchm

	Staff sanctioned for the amalgamated Govt. Silk Filature. G.O.No. 2810, Development d/ 14-6-46. and 3326, Development d/ 31-8-46.	Staff retrenched till the abolition of the post of General Manager in Octbr. 47. (G.O.No.4043, Development d/ 12-8-47. not put up
1.	2.	
GAZETTED:		
1. General Manager	1. Rs.420-700 p.m. --Rs.50 Spl. pay.	Special pay was cancelle
2. Manager (Tech).	1. Rs.200-410 " -- "	
3. Manager (Admtn.).	1. Rs.200-410 " -- "	Manager (Administration)
FACTORY NON-GAZETTED.		
1. Electrical Engineer Panchayat Board, Kollegal.		Electrical Engineer
1. Filature Assistants ..3	Rs.85-120 p.m. ..	C.O. No.4708, Dev.,d/3-1 not put up
2. Silk Testing Officer..1	" 150-200 "	
3. Labour Welfare Officer 1	" 65-170 " ..	
4. Assistant Welfare Officer..	1. Rs.32-2/2-40 P.M. ..	..
5) Sanitary Inspector. ..	1 " 55--110. " ,,	Sanitary Inspector ..
6. Sub Officer for Trailor Pump.	1 " 55--110. "	
7. Boiler Foremen ..	2 " 55--85 " ..	..
8. Foremen. ..	8 " 40--60. " ..	Foremen ..
9. Mechanic..	1(Ist Grade) 45-65 " ..	
10. Mechanics. ..	2(2nd Grade)30-45. " ..	
11. Stokers. ..	8 . 19-30 " ..	Stokers..
12. Assistant Foremen..	36. 20-30. " ..	Assistant Foremen
13. Denier Testers. ..	6 12-18 " ..	Denier Testers
14. Store-Keepers ..	3 40-60 " ..	Store keeper.
15. Carpenters..	2 30-45 " ..	Carpenter ..
16. Motor Drivers..	4 40-50 " ..	..
17. Cleaners ..	3. 15/- " ..	..
18. Packer ..	1 12-18 " ..	..
19. Compounder ..	1 28-40 "	..
20. Silk Testers..	3 23/- "	..
21. Line Inspector..	1 50-70 "	..
22. Wireman ..	1 30-50 "	..
23. Helper..	1 18-27 "	..
24. Head Sentry ..	1 17-22 "	..
25. Sentries ..	16 12-17 "	..
26. Time keepers ..	3 28-37 "	..

con

sanctioned for the Govt. Silk Filature,
ade subsequently.

Staff subsequently retrenched.		
G.O.No.520,Development d/ 4/2/48.	Existing staff.	
not put up		
4.	5.	6. Rs.
General Manager.	Manager (Technical) .. 1.	230-30-2/410.
Scale of pay of Silk Testing Officer reduced... G.O.No.1899,Dev. d/16-4-48.	Filature Assistants .. 3 Silk Testing Officer (90-5-130).	90-5-130.
Labour Welfare Officer.	Asst. Welfare Officer.. 1	35--1--45.
Such officer for Trailor pump.	..	
..	Boiler Foremen .. 2	60--3--90.
.	Foremen. .. 5	45--3--75.
Mechanic. .. 1.	Mechanic .. 1 (Ist Grade) ..	55--3--85.
..	Mechanic .. 1 (IInd Grade)..	35-2-55.
..	Stokers .. 5 ..	24-1-32-1/2A- 35
..	Asst.Foremen.. 30.	--do--
..	Denier Tester .. 3	16-1/2A-25.
..	Store-Keepers.. 2.	45-3-75
..	Carpenter .. 1	35-2-55.
..	Motor Drivers.. 4	40-1-50.
..	Cleaners .. 3	15-1/2A-20.
..	Packer .. 1	16-1/2A-25.
..	Compounder .. 1	35-2-40.
Silk Tester 1.	Silk Testers .. 2	30-2-40.
..	Line Inspector 1	60-3-75-2-85.
..	Wiremen .. 1	35-2-55-1-60.
..	Helper .. 1	22-1/2A-30.
..	Head Sentry .. 1	22-1/2A-30.
..	Sentries .. 16	16-1/2A-25.
Time keeperx ..1	Time keepers.. 2	25-1-35.

1. Office Manager	1	125-175	p.m.	..
2. Commercial Accountant..	1	125-175	"	..
3. Cashier Accountant ..	1	70-100.	"	..
4. Upper Division Clerk ..	1	70-100.	"	Upper Division Clerk
5. Upper Division Clerks.	2	55-70	"	..
6. Assistant Accountant ..	1	55-70	"	..
7. Assistant Cashier..	1	55-70	"	..
8. Store Clerk ..	1	55-70	"	..
9. Lower Division Clerks..	4	30-55	"	Lower Division Clerk 1.
10. Lower Division Clerk with Shorthand allowance..	1	30-55	"	..
11. Attender ..	1	19-30	"	..
12. Peons ..	10	12-17	"	..

Office Manager.			..
..	Commercial Account	1	140-5-190.
..	Cashier Accountant	1	80-3-95-5-125.
Upper Division Clerk.	Upper Division Clerk	1	80-3-95-5-125.
..			..
..	Assistant Accountant.	1.	80-3-95-5-110.
Assistant Cashier .. 1.	..		..
..	Store Clerk ..	1	80-3-95-5-110.
..	Lower Dvn. Clerks .	3	45-3-60-2-90.
..	Lower Dvn. Clerk with Shorthand allowance ..	1	-do-
..	Attender	1 ..	24-1-32-1/2A-35.
Peons	Peons	4 ..	16-1/2A-25.

57/1571

Industries - Sericulture - G.S.F. College

Sale of silk - Stipulation of 6¼ present profit - Waiver of - Proposal of the Dte - Approved.

G.O. No 1827 Dev dt 6-5-46.

From the Dte No 6101D/47 dt 1-12-46

Order MS No 1560 Dev dt 24.3.49.

H.E. the Governor directs that in supersession of the previous orders on the subject stipulation that a margin 6¼% profit should be maintained in the sale of silk produced at the Govt Silk Filatures shall be waived

3.3.49

2. Commercial enterprises

e undertaken by the Board with
a expectation that some profit
ill be realised from such enter
ises. It is seen from the recent
nditions of the Coorg Silk Filature
allegal that the filatures are
kely to add to the financial diff
ulties of the Board instead of relieving
em. It has therefore been sugg
-d that the best course will be
dispose of the factory to the best
vantage & the Board as early as
sible The Dte is requested to exa-
ine this suggestion and to submit
report to the Board as urgently as
sible

DZ 45 DM/26/29

Govt. Deptt.(D.I)

Sub: Industries - Sericulture - G.S.F., Kollegal - Sale of silk Percentage of profit.

Ref: From the Jt. D.I. & C. No.6101 D/47 dated 1-12-48.

TO A.S.

The silk Filatures at Kollegal were able to sell their produce at a profitable price so long as their output was taken over by the Govt. of India for war purposes. This demand ceased by the middle of 1945. With the cessation of hostilities, the producers of silk in the contiguous territory, Mysore State began to sell their output without any regard to the ceiling prices fixed by the Central Govt. under the H.P.P. Ordinance and this Govt. was hard put to obtain the consent of the Central Govt. to sell the output of the silk Filatures at Kollegal at prices based on cost of production without reference to the ceiling prices notified by them. In this context the D.I. & C. wanted power to permit him to vary the prices based on cost of production from time to time. He had also himself suggested that in fixing such prices, he would see to a margin of 6¼% profit being maintained.

In G.O. No1827 Dev. dated 6-5-46 the D.I. & C. was permitted to vary the prices of raw silk from time to time in consultation with the Sericultural Development Committee with ref. to prevailing cocoon prices, provided the percentage margin of profit of 6¼% is maintained. Subsequently the Silk market was affected seriously by the reported arrival of silk from foreign countries and by the anxiety of the private producers in Mysore to sell their output at prices which showed wide divergence from those prevailing previously. To fall in line with the trend of the market, the D.I. & C. was also obliged to notify reduced prices for the output of the silk filatures at Kollegal and the prices had to be reduced considerably from time to time. With a view to make sure that the Govt. would not lose the D.I. & C. was asked to certify, when revised prices were notified by him that the prescribed margin of profit of 6¼% would be maintained.

2 In August 1947 while approving the D.I. & C's scheme for disposing of 25,000 lbs of silk produced at the Filatures, the Govt. observed that there was scope for reducin

as the filatures were not working to their full capacity. The D.I. was therefore requested to submit proposals for reducing the staff to bring down the working cost to the absolute minimum. He was also requested to submit a special report on the working of the Govt. Silk Filatures, Kollegal with special reference as to whether the estimated profit of 6¼% would be realised or not. Accordingly in May 1948 the D.I. & C. submitted a statement showing the staff originally sanctioned for the amalgamated Govt. Silk Filatures, retrenchments effected from time to time and the existing staff and reported that the existing staff was the minimum required to run the filature economically and efficiently.

3 As regards the prescribed profit of 6¼% the Director referred to the perilous condition in which the filature industry has been placed consequent on the importation of large quantities of foreign silk into India and their sale at very low prices. He also pointed out that the Filatures would not be working as a profit during 1947-48 unless the Govt. of India took quick action to regulate imports and that the position as far as 1947-48 was concerned was bad since the filature silk had to be sold at prices below their cost of production. He also stated that the exact financial position of the working of the filature during 1947-48 could be known only when the proforma accounts were ready and pointed out that the filatures have in the past made considerable profits to the tune of Rs 7 lakhs because of the impetus given to the industry during the war period and the protection it had enjoyed but that depression had now set in. He also stated that in a commercial concern of this nature, there were bound to be periods of depression resulting in some loss and that it would not therefore be practicable to maintain the profit at a margin of 6¼% annually. He requested that such a condition should not be insisted upon and that every effort would be made to maintain the profit at as high a figure as possible. Finance Dept. remarked that apparently the D.I. & C. did not hope to show the prescribed profit of 6¼% on the transactions of 1947-48, that his communication referred to at 'K' above, was perhaps intended only as a forewarning to Govt. and that no special remarks were called for unless the D.I. & C. specifically

raised the issue after working out the proforma accounts for 1947-48.

4 When the D.I. & C. came up to Govt. in July 1948 for approving further reduced rates in the prices of Silk, he was again requested to see that the profits in respect of sale of silk did not go below 6¼%. But the Director reported that a return of 6¼% profit in the ~~same~~ sales of silk cannot be guaranteed and that the rates were fixed with ref. to the market conditions and not with ref. to the cost of production and that the overall picture could be judged only at the close of financial year when proforma accounts were prepared ~~and~~ He therefore requested that Govt. may not stress the 6¼% profit on the sale of filature silk.

5 The D.I. & C. has now reported that the accounts of the filatures have been audited by the ~~extent~~ Chief Auditor, State Trading Schemes recently and that according to the audited proforma accounts the actual loss is Rs 59,969-0-11 for 1947-48. He also states that the position still continues to be extremely bad due to competition from Cheap foreign silks which continue to be imported in spite of the representations made by this Govt. to Govt. of India to stop imports. He also states that in Govt. Silk Filatures may still stand to lose heavily in the disposal of the accummulated stocks, that the loss sustained in 1948-48 was entirely beyond his control and that Messrs Mysore Silk Filatures Ltd. (a limited concern) is also understood to have sustained a loss of about Rs 3 lakhs. The D.I. & C. therefore requests that the stipulation of ~~%~~ 6¼% profit prescribed for the sale of filature silk may be waived in order to avoid audit objection. He has also stated in another connection that if this loss is deducted from the profits earned upto 1946-47 viz.Rs670129 the net profit earned so far will come to Rs 610160.

6 In this connection attention is invited to the statement submitted by D.I. & C. on p.11 c.f. of G.O.5907 Dev. dated 1-12-48 showing the quantity and value of raw silk imported from April to September 1948. The Govt. of India have decided to import cheap foreign silk such as Japanese silk in very large quantities on the ground that the shortage of Raw

silk in the country has adversely affected the silk weaving industry and also the export trade of India. The question of tariff for imported silk is under the consideration of the Tariff Board.

The financial position of the filatures is as follows:-

Profits upto 1946-47	Rs 670129 0 0
Loss during 1947-48	59969 0 11
Loss during 1948-49 due to closure of filatures	48840 ~~0 3~~

Loss during 1948-49 not known

In the circumstances stated by the D.I. & C. ~~it is for~~ in view of the fact that the selling price of silk has to be reduced it is for orders whether his proposal to waive the ~~provisional rate~~ (stipulation) of 6¼% profit will be accepted.

7 Fin. may see for remarks.

difficulties of the Government instead of relie[illegible] them. The best cource in such circumstances will be to dispose of the factory to the best advantage of the Government as early as possible, and Devt. may perhaps examine this aspect of the question in consultation with the D. of I&C. if necessary. In the meanwhile Finance may agree to the waiver of the original stipulation of 6 ½% profit as proposed by Development at K) above as it is impossible to realise it in the existing condition of the Silk trade as reported by the D. of I&C.

~~[illegible]~~ dispose ~~of~~ the factory to the best advantage of the Govt should be pri- the D Inc at all

CPG — S

28/2/69

I suggested some time ago that the Chairman of the factory, but was overruled. The position is better now & the future is brighter. We should not therefore sell the factory now.

dlr
1/3

To A.S. orders above

~~Please see orders from~~ ~~above~~. Para 2 of the draft order put up below had been deleted It may kindly be approved. The Deptt may see ~~again~~ before issue

1/3 DG 1.3.69.

10 M.U.

Please see ... note on page
Finance have accepted the draft order as amended
The draft order may now
issue

16/3/4 16.3.4.

May issue
C.P.G.
21.3.4

13-14 cf [illegible] as GO Ms No 1560 Dtd 24-3-47. T